



ECOPOL Project Workshop

“European Best practices and policy tools supporting the Internationalisation of Eco-innovative SMEs”*

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FINAL REPORT

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A. Setting the scene on the main opportunities and challenges for the Internationalisation of European eco-innovative SMEs:

A.1. How are European Eco-innovators internationalising?

Keynote presentation: Asel Doranova, *European Eco-Innovation Observatory*

Key findings:

- Europe is a leader in eco-innovation. Consequently the international diffusion of eco-innovation, namely to emerging economies, presents a significant economic opportunity for European companies.
- There is a clear **north-south eco-innovation gap**, although the BRIC countries are catching up quite fast. Eco-innovation needs and challenges in emerging markets are marked by: Population growth and increasing resource scarcity; Increasing industrialisation and urbanisation which puts increasing pressure on environment; growing middle class following western consumption style; climate change affecting natural resources, namely water, threatening agriculture and increasing disaster prone areas. These elements are increasingly raising Governments' awareness for the need of "greening" their economies, and for the adoption of sustainability targets (e.g. for renewable energy) and, therefore, an increasing demand for "green" products and services.
- Markets in the emerging economies are growing and offer opportunities ranging from **trade to innovation collaboration**. They are also a source of growing competitive pressure for European SMEs.
- Businesses should **invest in deeply analysing the business and cultural context of the locations** they plan to do business in and must be aware that the nature of opportunities, barriers and drivers differs between different regions and between countries.
- **Barriers** to the internationalisation of eco-innovation in emerging countries can range from insufficient awareness on the positive gains of introducing eco-innovations; low and slow levels of economic returns from the introduction of product and process eco-innovations and lack of knowledge of the local business culture. The need for **adjustment of the technology level** to local conditions and local needs is, most of the times, needed.
- The involvement of European SMEs in emerging economies should not be seen as one-way relationship, but rather a **mutual learning process** as they can also learn from different processes, new designs and business approaches applied to each location's specificities.
- There are plenty of **EU and national policy measures**, organisations, institutional platforms, supporting European companies in internationalising their businesses to emerging markets. SMEs entering emerging markets are advised to tap from these initiatives and use their knowledge, infrastructure and hands-on expertise.





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A.1 Target markets for Eco-innovators outside Europe (Brazil, China and India)

Speakers:

Roberto Levy, *Ferreira & Levy International Marketing and Export Consulting (Brazil)*

Micol Martinelli, *European Business and Technology Centre India (Eurochambres)*

Ari Makkonen, *Finnish Environmental Cluster for China, Lahti SBP (Finland)*

Key findings from presentations and Working Groups discussions:

Brazil is presented as a country with sizable opportunities for European eco-innovators where the main concerns for starting a new business are related with infrastructure, bureaucracy and time and where the assistance from a specialized market consultant should not be neglected.

Business opportunities range from sanitation infrastructures, rethinking energy generation, water and wastewater biological treatment systems, integrated management of new waste streams, exploring the country's biodiversity for new pharmaceuticals. There is a large room for the introduction of integrated and specially adapted solutions for a country with about the same geographic area as Europe but where some basic population needs are still to be fulfilled.

India is presented as a large, economically open, stable, qualified and young country with a broad range of opportunities for eco-innovator SMEs.

These may rely on the assistance of EBTC India services in order to facilitate their sustained internationalisation to this market at the following levels: market insight (basics for doing business in India); market access roadmap (screening of interesting projects, identification of potential business partners, design of market entry strategy, customized intelligence) and market strategy implementation (proactive incubation services, hands-on-support for bidding for projects, finalizing pilot projects, liaising with Government and financial institutions). Main opportunities for business are found on biotechnology, environment, energy, transport.

China is presented as a booming market for eco-innovation as it is considered a strong driver for sustainable economic growth. In the last 2 years, China's "greentech" markets advanced across every sector from wind and solar power to emissions control and wastewater treatment. In order to maintain a steady growth rate of 7 - 8%/annually, China needs to minimize environmental impacts, therefore having strong needs for environmental goods and services that European companies can provide.

China can also become a strong competitor for European eco-innovators, as it has plans to become a technology superpower (investing strongly in R&D - target is to reach 2.5% of GDP by 2015 - and innovation). It is promoting the development of "strategic emerging industries" and the emergence of industrial clusters, and concomitantly, inviting foreign companies to establish R&D bases in China, allowing them to apply jointly with Chinese firms for Government funded R&D projects.

The challenge for European governments is to be able to establish platforms of cooperation at regional/provincial level, with clearly defined and mutually acknowledged leaders that have "guanxi awareness" and are resiliently prepared to negotiate win-win agreements with medium to long term duration.



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A.2.1 What are the main identified bottlenecks for eco-innovators wanting to internationalise to third markets (Brazil, India, China)?

As a result of the discussions of the working group, **major bottlenecks** can be grouped into:

- Transversal – problems that are felt across the board by SME's from the European countries present;
- Country specific – situations that apply to each of the target countries;

The main obstacles identified in the access of SME's to international markets result of their **lack of scale**. The reduced amount of human and financial resources available for SME's to conduct their business makes it especially difficult for them to commit to their internationalisation processes. This **lack of critical mass** is mostly visible on:

- **Financial resources** – SME's lack the capital and have added difficulty in accessing funding to support their internationalisation strategies;
- **Human resources** – the implementation of an internationalisation strategy requires a lot of time from companies, which comes at the loss of focus on day to day activities;
- **Intelligence** – SME's lack the means to effectively identify sources, analyze information and prepare market data, as well as to identify and screen potential clients.
- **Networking** – SME's have difficulties in creating their own international networking and generating effective business leads or identifying reliable business partners.

Some general **recommendations** on how SME's should try to overcome these obstacles were identified:

- **Partnerships** are essential to the approach of new markets. These may include support from consultancy or legal experts, but must not forget Chambers of Commerce, Trade Promotion Agencies and local Investment Promotion Agencies. The example was presented of how special relations between Finnish and Chinese cities help Finnish companies in the initial referencing process in that market.
- SME's should **tap into the experience of who is already in their target market**. Large companies or SME's from their home market or from other EU countries may already be present in the target market and be available to share experiences, alert on previous problems and networking opportunities.
- **Multilateral funding** (African Development Bank, Asian Development Bank, etc.) should be used to access business opportunities and funding for relevant markets;
- **Preparation** prior to the engagement in internationalisation processes, including the identification of relevant information and potential partners/clients, is critical for success. This preparation was also identified as critical for clusters, when designing their own internationalisation strategies.
- Regarding **access to specific markets**, namely Brasil, India and China, it was argued that, although these markets are complex, there is an incorrect perception of their real complexity. This partially results of SME's considering these countries at the national scale, which in these cases is really a continental scale. It was suggested that this apparent complexity can be simplified if the analysis level is reduced to regional markets, where there is less competition for the attention of local entities and clients.



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Specific country-related issues:

Brazil – the tax (federal, state, municipal) and legislation system’s complexity suggest that entry strategies should rely on support from local experts. There are claims of difficulty in access to the market by foreign companies, which could be overcome by the conclusion of the EU-Mercosul agreement.

China – the tradition of basing business relations on personal relations - “guanxi” – requires significant amounts of investment in time to visit and receive potential partners before significant business can be achieved. It is therefore critical to start by identifying the most adequate partners. The upside is that this normally results in long term relations.

India – significant differences at the regional level and, more important, significant differences in the cultural background as compared to Europe, require SME’s to do extensive preparation to succeed in the market.

A.2.2 What kind of public policies/support instruments or infrastructures could better help SMES internationalise to third markets?

The workgroup identified the following topics on possible policy measures:

- **Vouchers** could be an important element to support internationalisation efforts.
- **Clusters** have a pivotal role between SMEs and public entities, but they have to be created with a concern transparency in order to gain the confidence of the SMEs;
- Programs must have time to demonstrate their effects. Short time policy concerns result in programs that are normally too short to generate results;
- The **support framework for SMEs must be simple**. These companies do not have the time and resources to study and understand complex framework support structures, resulting in a gap between practical needs and public policy efforts;
- Europe is not protecting enough its internal market of products that are not using the same environmental protection standards, resulting in unfair competition in the internal market and degraded competitiveness in third markets. Further international alignment in terms of environmental protection should be sought.
- Policies that require companies to enter into **partnerships** when accessing external markets will contribute to generation of critical mass and result in a more efficient allocation of public funding.
- Programs that effectively promote the **cooperation between large companies and SMEs**, with the first harboring the latter in their internationalisation processes, may be an effective tool to accelerate access to new markets for SME’s.
- **Voucher programs funded by large companies** through tax breaks could be an effective model (large companies promote entry strategies of SME’s on external markets where they are present, benefiting of a tax break on associated costs).



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A.3 The role of clusters in boosting internationalisation of eco-innovators:

Speaker: Gareth Jones, *Coordinator EcoClup Project*

Main findings from the presentation and Working Group discussion:

A.3.1 What is the added value for an eco-innovator SME to internationalise through a cluster?

Access to international networks of similar clusters: in networks of eco-innovation clusters such as ECOCLUP, apart from an increased international visibility, companies find major benefits coming from an expanded networking scope and the exchange of know-how between similar clusters in design, adaptation, validation, testing and implementation of innovation services and tools that support their growth and internationalisation.

By belonging to a cluster, SMEs find a sense of “**organized community**”, sharing the same aims, needs, obstacles and uniting efforts to overcoming major common problems and to facing common challenges such as the internationalisation stage. (E.g., when attending international fairs or business missions under the cluster umbrella, SMEs gain higher visibility and benefit from sharing experiences with other cluster members, getting to know better their competition at home and abroad and also identifying potential partners for internationalisation partnerships).

The more **professional** and **goal/client oriented** is the **cluster management**, and the more focused the cluster is, the more effective are the clusters’ strategies, adding value to the cluster members.

The more clusters organize themselves around a supply **value-chain**, the more efficiently they can promote their companies services and products in foreign markets. This type of organization can also be helpful for public agencies in designing internationalisation support programs for **groups of companies** that represent several stages of the value chain, (either groups of companies led by large company or groups that act by themselves), thus giving more scale and visibility to SMEs and assuring higher returns on public investment. Acting as a value-chain, companies will have better opportunities to offering solutions internationally.

A.3.2 What elements should characterise a good cluster internationalisation strategy?

Clusters should have a thorough knowledge of their companies’ aims, goals, effective capacities and competitive advantages before devising an internationalisation strategy. Making use of specific tool-kits to previously **assess companies’ internationalisation potential** is highly recommended in order to prevent needless efforts and investment by companies that are not yet ready to internationalise.

Clusters should **focus** on 2 or 3 international markets of common interest; define the sub-sectors that they want to internationalise, identify the suitable counterparts in the target market and, together, gather market access intelligence to define the best entry strategy for companies. The correct planning of the business missions, with the definition of clear targets and due monitoring of results is essential in order to guarantee returns on investment.



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Clusters should apply for public funding for their internationalisation activities and count on the expertise support of both public and private organizations (e.g. international trade promotion organizations, chambers of commerce) in order to leverage their own members' resources. Preparation for the participation in international missions can be very time and resource consuming for SMEs. Public support mechanisms should be of simple application and reporting procedures.

Clusters are often accused of duplicating work conducted by international trade organisations, so efforts should be made in order to reach a **more efficient division of labour between organisations**.

International platforms such as ECOCLUP that promote **cooperation between eco-innovation clusters** established in Europe, have also proven to be a suitable instrument for the design of common internationalisation strategies/missions for different clusters, when approaching new markets of common interest.

Promoting the **sharing of internationalisation experiences and know-how** between well established companies and SMES, is a good mechanism to promote sustainable internationalisation processes. However, this should be made on the basis of mutual trust between SMEs and large companies that are not directly competing but rather complementing operations on the market.

A.4 Innovative supporting instruments: Internationalisation and innovation vouchers

Speaker: Katharina Krell, *GreenConServe Project Coordinator, Greennovate Europe*

Main findings from the presentation and Working Group discussion:

- Vouchers are very small grants (500-66000€) gained through an unbureaucratic procedure, that aim at encouraging innovation activities of SMEs and are considered as an entry level funding instrument in order to facilitate a first step of a company's innovation or internationalisation process and to complement the range of support instruments of a public agency.
- It aims at funding external expertise to address SME's innovation issues and to foster professional relationships between SMEs and external knowledge providers, i.e.; technical experts (R&D vouchers), business experts (business vouchers), technical AND business experts (mixed vouchers) and internationalisation experts (internationalisation vouchers).
- Typically, applying for a voucher must be a simple, unbureaucratic and fast process, with easy management procedures: 2-3 pages application, short time to grant: +/- 1 month; free choice of external expert (Public and private service provider and local or foreign service providers; low reporting burden to get paid; fast payment of vouchers.

A.4.1 How can innovation vouchers be adapted for internationalisation support purposes?

Any format of voucher could be considered as long as there is an international component and it is not doubling public funding.

The main internationalisation challenges eco-innovators face that could be tackled by an internationalisation voucher are: market knowledge studies, language barriers, business culture, legal framework and access to networks.



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Other possible subjects of internationalisation vouchers could be:

- clusters/supply chain internationalisation processes
- Funding of business trips of potential foreign clients in order to visit SMEs plants/infrastructures in their own country.
- Environmental technology performance verification and validation in foreign markets for products credibility and easy market access (aimed at SMEs from countries not known for eco-innovation technology excellence).
- International patent filling and consulting with patent lawyers.
- Protection strategies to allow EU companies to commercialize their knowhow.
- International network access to help build critical mass.
- Assessment of the internationalisation potential of a business
- international marketing planning

Internationalisation vouchers may be granted to **individual** companies or to **groups of companies** with the same market interest.

They can also work as a **complement funding** of another public support instrument (e.g. R&D and innovation support instruments), where companies having successfully carried out R&D projects, with the aim of developing new or significantly improved products, processes or services, are automatically eligible for accessing internationalisation support vouchers.

A.4.2 What funding instruments could be devoted to internationalisation vouchers?

National, regional and structural funds can all be considered as a source of funding for internationalisation vouchers. More and more, the idea of **funding vouchers** with **structural funds** is taking form as it allows splitting up large amounts of money into small amounts suitable to support “green” SME innovation projects and it helps absorbing structural funds, especially under headline “sustainability”.

The possibility of having **international cooperation/development aid** as a possible source of funding was also equated. This would require for bilateral agreements with beneficiary countries.

A.4.4 What costs could be eligible? What entity should manage such an instrument?

Vouchers are aimed at funding access to internationalisation external expertise service providers.

Eligible service providers should be able to come from both **national and foreign countries**, therefore a **free choice** of experts is needed. Agencies running the voucher scheme may put in place a pre-qualification process of experts and let companies choose from a list of qualified services providers or, concomitantly, they may also leave to the criteria of the SME who they want to hire as their internationalisation consultant.

In terms of voucher schemes management, any organization **supporting entrepreneurship, innovation and SMEs internationalisation** could be fit to run the scheme. If vouchers are financed through structural funds, maybe there should be an implementing agency different from the management authority.



B. Presenting the reality of each country: how effective are public policies being in helping eco-innovators internationalise? What is lacking? What recommendations should be done?

The main findings of this panel are the result of an extensive work done under **ECOPOL project's Work Package 6** which focuses on promoting **best practices in support of the internationalisation of eco-innovative SMEs**.

The work started with the compilation of existing internationalisation support best practices in ECOPOL partner countries, followed by an identification of policy gaps and an analysis of best practices transferability potential between partners. This information was afterwards summarized in a **Background Document** that was previously disseminated to all Workshop participants with the aim of providing them with a conceptual framework for the Workshop's discussions.

B.1 General policy context on internationalisation support systems (Finland, Germany, Greece, Portugal, Sweden)

Finland, Germany, Greece, Portugal and Sweden provided an objective description of existing public policies and instruments supporting the internationalisation of eco-innovative SMEs in their country, including each country's internationalisation support system's strengths and weaknesses, public policy gaps, and possible solutions (identified best practices in other countries that could cover for policy gaps).

Key findings from presentations:

Overall, apart from Germany, we are in presence of small countries: 3 with very strong and internationalised *cleantech* industries (Finland, Germany and Sweden) and 2 that do not discriminate the *cleantech* sector in their support policies (Greece and Portugal).

Highly dependent on exports, these economies share the same generic political goals to promote internationalisation: to create adequate context conditions for increasing the number of exporting companies, namely companies with a high growth potential producing higher added value products and services for international trade. The development of stronger venture capital instruments (public and private sources) and a continuous promotion of entrepreneurial R&D and innovation are some of the main lines of actions to be pursued and reinforced.

When asked to point out **main weaknesses** of their internationalisation support system, countries mention the following:

1. Dispersion of supporting programs, defragmentation and lack of coordination between program managing agencies.
2. Lack of coaching and tailored company support
3. Need to develop internal skills on internationalisation
4. Need to discriminate positively eco-innovators in supporting programs
5. No clear vision and strategy for the development of the eco-innovation sector and a market focus
6. Need for higher cluster coordination
7. Not enough risk financing for high growth potential companies



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When asked to point out main internationalisation **policy gaps**, the following are pointed out:

1. Lack of public supporting lines for the demonstration of technologies abroad (4 references)
2. Lack of specialized and tailored support for the setting up of businesses in target markets (4 references)
3. Development of internal skills on internationalisation (3 references)
4. Lack of adequate support for clusters international development and coordination along the value-chain (3 references)
5. Insufficient coordination between internationalisation promotion entities at national level making it more difficult to assist SMEs. (2 references)
6. Not enough venture capital funding schemes for fast growing start-up companies (2 references)

When asked to identify which **policy instruments and best practices** from other partners could be adapted to **overcome national policy gaps**, the following types of policy support were pointed out more frequently:

1. VIGO Accelerators (FI) - venture capital instruments (3 references)
2. Business Export Partnership (FI) or Steps to Export (SE) – support for export consortia and tailored export consultancy for SMEs (3 references).
3. Cleantech Finland (FI) or FECC - Finnish Environmental Cluster for China (FI) – lines for the structuring and internationalisation of “cleantech” clusters with a clear market focus (3 references)
4. INOV EXPORT (PT) – programs supporting the development of internationalisation management skills within exporting companies (2 references)
5. R&D Vouchers (SE) – vouchers for the access of technical expertise on R&D and internationalisation processes (2 references)

B.2 Effectiveness of internationalisation support best practices (BPs)

B.2.1 Transferability factors of BPs: which critical conditions should exist in a country in order to make a specific type of policy instrument work?

Main findings from the discussions:

As a general impression, it can be said that participants were not prepared enough to discuss this issue and that only persons that deal directly with some of the best practices implementation in their own country could give stronger inputs to this discussion.

The Best Practices that were put up for discussion were:

1. Instruments in support of **environmental pilot projects demonstration**: DemoEnvironment (SE)

There was a consensus amongst participants on the great relevance that instruments such as these have for SMES in accessing new markets. Being extremely costly, there is a critical need of SMES acting in the “cleantech” sector for support in implementing demonstration and technology validation projects “in situ” on the target markets.



Constraints on the implementation of demonstration projects abroad are related with the illegality of using national money to support companies to invest outside the EU in third countries.

In Sweden, with the framework being the enormous pressure on companies for increasing exports and accessing new emerging markets, the critical conditions for such an instrument to work were, a solid, consistent and stable “cooperation for development” foreign policy based on mutual trust and on long established bilateral cooperation agreements. Adding to this, a strong institutional framework putting in place the instrument DemoEnvironment (Swedish Development Agency) is also critical. This is also regarded as an expensive “cooperation” instrument that only advanced countries are able to put in place but the overall “return on investment” is quite advantageous for Swedish companies.

2. Instruments in support of **exports’ consortia**: Business Export Partnership (FI),

The promotion of exports companies’ consortia is regarded as a cost effective instrument for companies and public entities as it promotes the internationalisation of groups of companies with complementing products / services and common target market interests, which share one export manager.

In Finland, critical conditions associated with the launching of this instrument were, the need to accelerate the internationalisation of Finnish SMEs to new markets, the pre-existence of a culture of company cooperation, the need for SMEs to create “critical mass” in order to reach new markets, the perspective of creating a long-lasting business cooperation relationship.

3. **Venture capital instruments** supporting the internationalisation of cleantech start-up companies: VIGO Accelerators (FI):

The lack of flexible, risk capital instruments to leverage and speed start-up companies’ growth and internationalisation is a common concern as public money support is more and more becoming scarce. VIGO Accelerators is a Finnish private venture capital Program through which the Government selects and certifies a few private equity funds that specialize in investing in specific technology sectors (namely cleantech). They put in place their business expertise, international networks and capital to help high growth potential start-ups establish in the international market.

Critical conditions to put in place such a program were: the acknowledgement of an existing gap on funding newborn business projects; the need for higher amounts of investment (especially private investment) to leverage start-up companies and the need to accelerate newborn companies going global.

Highlighted as well as critical conditions were the pre-existence of an entrepreneurship and risk culture and the existence of a fluid financial and a favorable fiscal environment.

4. Instruments supporting the **set up and the internationalisation of cleantech clusters** with a specific market focus: Cleantech Finland (FI) and Finnish Environmental Cluster for China (FI).

Policy instruments devoted to support **clustering** and building critical mass in the cleantech industry are considered highly beneficial. The initiative of creating the brand “Cleantech Finland” came from the Finnish industry associations which decided to take the chance of the “eco-innovation” drivers to launch the values of the brand.

The cluster then defined which were the strategic markets it wanted to target in China, alongside with a state policy, was at the forefront of choices. The Finnish Government developed a strategy for cooperation with China and decided, in the most promising industrial sectors (such as cleantech), to develop and fund a broker structure in China with the involvement of high level political structures and diplomacy.



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B.2.2 What are the main criteria for the successful implementation of policy instruments?

This chapter proposed to stimulate the discussion on what should be the critical conditions in one country to successfully implement internationalisation support policy instruments.

The main **constraints and needs** pointed out were:

Lack of specialization and **lack of coordination** between **internationalisation and innovation** promotion organisations. There is the need to innovate in designing innovation and internationalisation policies in a more **integrated perspective**.

The need for **smart networking** of public policies is an important element: the political level should put in place a common strategy and not promote stagnant and individual ministerial approaches: an interministerial/intersectoral approach and coordination is necessary to put in place the adequate policy instruments.

The correct **evaluation** of eco-innovative SMEs' internationalisation needs, the correct assessment of internationalisation policies in place and the monitoring of their results and the development of sector specific strategies of internationalisation is crucial not only for eco-innovators but for all industry and service sectors, in order to assess which ones have the highest potential and higher returns on public investment.

Smart networking is also needed at the **implementation field level**. Clusters should be pivotal in contributing to putting in place such practices and policies; helping to develop a networking culture and capabilities between companies and therefore giving them tools to access international platforms, and helping them building up scale and critical mass. The professionalization of cluster management is crucial and should be supported.



C. Main findings and recommendations:

With the aim of wrapping up ideas taken from the workshop, a roundtable discussion was set up and animated by Prof. Sandro Mendonça, from ISCTE Business School. Main findings and recommendations from the workshop are summarized below.

1. Opportunities and barriers to the international diffusion of eco-innovation through the internationalisation of eco-innovative SMEs:

International diffusion of eco-innovation, namely to emerging economies, presents a significant economic opportunity for European companies, as Governments awareness of the need for a sustainable growth is increasing, consequently reflecting on an increasing demand for "green products and services".

Markets in the emerging economies are growing and offer opportunities ranging from **trade to innovation collaboration**. They are also a source of growing competitive pressure for European SMEs as some BRIC countries are catching up fast in technological innovation and in the awareness for the need of "green technologies" in order to achieve sustainable growth.

Barriers to the **internationalisation of eco-innovation** in emerging countries can range from insufficient awareness on the positive gains of introducing eco-innovations; low and slow levels of economic returns from the introduction of product and process eco-innovations (especially difficult for SMEs) and lack of knowledge of the local business culture.

Barriers to the **internationalisation of eco-innovative SMEs** stem from the lack of scale and lack of critical mass and are mostly visible on the levels of:

- **Financial resources** – SME's lack the capital and have added difficulty in accessing funding to support their internationalisation strategies;
- **Human resources** – the implementation of an internationalisation strategy requires a lot of time from companies, which comes at the loss of focus on day to day activities;
- **Intelligence** – SME's lack the means to effectively identify sources, analyze information and prepare market data, as well as to identify and screen potential clients.
- **Networking** – SME's have difficulties in creating their own international networking and generating effective business leads or identifying reliable business partners.

2. Internationalisation support policies' structural weaknesses are felt on the levels of:

Lack of coordination between policy makers especially on the development of innovation support policies linked with internationalisation support measures;

Overlapping of internationalisation support instruments between Government trade promotion agencies, Chambers of commerce, Cluster and business associations leading to a dispersion of resources and the dilution of the focus of policy makers;

Insufficient evaluation and monitoring of competence and performance of internationalisation support instruments.

Internationalisation support policies and instruments are not focused enough on SMEs specific needs, which are related to the lack of scale and of critical mass when approaching foreign markets;



3. Main types of internationalisation support policy gaps for eco-innovative SMEs:

1. Lack of public supporting lines for the demonstration and validation of technologies abroad.
2. Lack of specialized and tailored support for the setting up of businesses in target markets
3. Development of internal skills on internationalisation management
4. Lack of adequate support for clusters international development and coordination along the value-chain
5. Insufficient coordination between internationalisation promotion entities at national level making it more difficult to assist SMEs.
6. Not enough venture capital funding schemes for fast growing start-up companies

4. Recommendations to overcome policy gaps and improve the internationalisation of eco-innovative SMEs:

Creating scale and critical mass for SMEs:

Policies that require companies to enter into **export partnerships**, like the Finnish programme "Business Export Partnership", where a group of 4-6 SMEs, with a complementary offer of competences, products and services, sharing the same export manager when accessing external markets, can contribute to the generation of scale and critical mass, for developing SMEs' cooperation skills, and can result in a more efficient allocation of public funding, allowing for higher returns on public investment.

Harboured in **eco-innovation** related **Clusters** with professional management, an in-depth knowledge of their members' capacities and competitive advantages, with a clear strategy for diffusing eco-innovation and promoting their eco-innovative members nationally and abroad, and organised as value-chains, SMEs gain higher scale and visibility, have easier access to funding and to international networks and can benefit from the exchange of know-how and capacity building programmes.

The more clusters organize themselves around a supply **value-chain**, the more efficiently they can promote their companies' services and products in foreign markets. This type of organization can also be helpful for public agencies in designing internationalisation support programs for **groups of companies** that represent several stages of the value chain, (either groups of companies led by large company or groups that act by themselves), thus giving more scale and visibility to SMEs and assuring higher returns on public investment. Acting as a value-chain, companies will have better opportunities to offer solutions internationally.

The "Finnish Environmental Cluster for China" is a clear example of a successful cleantech industry-driven cluster that, with a strong anchorage of government economic diplomacy in both countries, developed a specific internationalisation and visibility projection strategy of Finnish companies to some P.R. China Provinces in need of expertise and green technologies.

Programs that effectively promote the **cooperation between large companies and SMEs**, with the first harboring the latter in their internationalisation processes, may be an effective tool to accelerate access to new markets for SME's.



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Raising SMEs' skills in internationalisation processes:

Programs effectively supporting SMEs qualification and capacity building in international marketing and networking like the Portuguese best practices "INOV Export" and "INOV Contacto" should be further implemented.

Improving eco-innovative SMEs' assistance in target markets:

The variety of of business and cultural contexts of new markets, associated with SMEs lack of time, skills and resources to get acquainted with emerging economies specificities, point out to the need of setting up **local broker/facilitator infrastructures in target markets.**

This business support infrastructure, although linking with national organisations, should go beyond the core trade promotion activities (business matchmaking, trade fairs, business missions, market studies), and should be focused on providing tailored market access assistance on the actual local markets. These broker institutions should provide assistance in the **actual setting up of new businesses** in the targeted local markets and helping with administrative paperwork, compliance with local regulatory issues, access to local networks of possible clients / suppliers /relevant institutions for lobbying, identification of local qualified staff, setting up of pilot plants and technology demonstration projects, hosting **businesses incubation** services.

Broker infrastructures in large emerging economies should be set up and anchored at Government level via state diplomacy and cooperation protocols namely between cities or regional administrations.

There is a critical need of SMES acting in the "cleantech" sector for support in implementing **demonstration and technology validation projects "in situ"** on the target markets. Swedish programme "DemoEnvironment" is one example that could be inspiring for other countries. National Cooperation for Development Aid Programs and Multilateral funding banking system can channel funding for these initiatives.

The need for "**business incubation**" support initiatives/infrastructures in target markets, was pointed out as a means of facilitating market entry for SMEs. EBTC's incubation services in India and Swedish best practice "Green BSO" are both examples to be followed-up by other countries.

Creating innovative and flexible funding instruments

The lack of flexible, risk capital instruments to leverage and speed start-up companies' growth and internationalisation is a common concern as public money support is becoming scarce.

Internationalisation funding should rely more and more on a mix of private and public **venture capital schemes**, with the "private" stakeholders assuming a greater relevance and initiative. Business models like the Finnish "Vigo Accelerators" programme should be looked up with more detail and, when suitable, taken up by other countries.

Higher simplicity and flexibility of funding schemes is critical. **Voucher schemes** to access internationalisation expertise, could be a way out.

Voucher schemes for internationalisation support can rely on different sources of funding such as structural funds or development aid national budgets. Voucher programs funded by large companies through tax breaks could be an effective model (large companies promote entry strategies of SME's on external markets where they are present, benefiting of a tax break on associated costs).



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Developing platforms for "smart networking"

- In line with the concept of "smart specialisation", the need for policy makers to define / prioritise strategic sectors upon which to focus internationalisation support instruments is crucial, eliminating fragmentation and overlapping of policy interventions and assuring a more effective spending of public money.

- Therefore, a need for multi-level "smart networking" is crucial. Smart networking platforms between policy makers at inter-ministerial level, between policy makers and the policy implementation level (national innovation and internationalisation support agencies), between these agencies and the end users of innovation and internationalisation policy instruments (policies more focused on clusters and SMEs specific needs) and with the involvement of specialised training institutions (for internationalisation management capacity building) is also streamlined.

- The build-up of platforms for smart networking should lead to the creation of synergies between these levels of operation and should allow for the systematic and consistent identification of existing capabilities, assets and competitive advantages. This process should then enable policy makers to select the highest potential sectors and actors for business growth and internationalisation.

- Smart networking should also improve the due monitoring and evaluation of internationalisation support mechanisms, which would then reflect on the improvement and designing of new, innovative, easy of access support mechanisms that effectively meet SMEs specific needs.

- the creation of policies that promote "smart networking" and **cooperation** between eco-innovative SMEs (internationalisation consortia), between SME representative structures (clusters, business associations, etc) and between large companies and SMEs when internationalising will contribute to speed up internationalisation with a wider scope and consistency, will contribute to creating scale and critical mass, higher lobbying capacity and to promote synergies between companies that potentially lead to new joint business initiatives.

- Finally, platforms of smart networking between eco-innovation **clusters**, should contribute to the development of organised **eco-innovation value chains** and for the design of tailor-made internationalisation strategies.

For detailed information on other Internationalisation support policies for eco-innovative SMEs go to [ECOPOL Project](#) online